

House Study Bill 751

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
ECONOMIC GROWTH BILL BY
CHAIRPERSON HOFFMAN)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to software and technology-related incentives and
2 tax credits and including effective and retroactive
3 applicability date provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
5 TLSB 6433YC 81
6 tm/je/5

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1 1 Section 1. NEW SECTION. 15E.361 SOFTWARE DEVELOPMENT TAX
1 2 CREDIT.
1 3 For tax years beginning on or after January 1, 2006, a tax
1 4 credit shall be allowed against the taxes imposed in chapter
1 5 422, divisions II and III, equal to twenty percent of the
1 6 total gross sales during the tax year on software developed
1 7 and used by the taxpayer originally for internal purposes. In
1 8 order to claim a tax credit under this section, a taxpayer
1 9 must receive approval from the department that the software
1 10 for which a tax credit is claimed was developed and used by
1 11 the taxpayer originally for internal purposes. Upon approval,
1 12 the department of economic development shall notify the
1 13 department of revenue that approval has been given for the
1 14 software. An individual may claim a tax credit under this
1 15 section of a partnership, limited liability company, S
1 16 corporation, estate, or trust electing to have income taxed
1 17 directly to the individual. The amount claimed by the
1 18 individual shall be based upon the pro rata share of the
1 19 individual's earnings from the partnership, limited liability
1 20 company, S corporation, estate, or trust. Any tax credit in
1 21 excess of the taxpayer's tax liability for the tax year may be
1 22 credited to the tax liability for the following five years or
1 23 until depleted, whichever occurs first. A tax credit shall
1 24 not be carried back to a tax year prior to the tax year in
1 25 which the taxpayer claims the tax credit.

1 26 Sec. 2. NEW SECTION. 15E.362 ENTREPRENEURIAL GRANT
1 27 PROGRAM == FUND.

1 28 1. The department shall establish and administer an
1 29 entrepreneurial grant program for purposes of encouraging
1 30 start-up companies in the areas of information technology and
1 31 other targeted industries designated by the department through
1 32 the awarding of grants from moneys in the entrepreneurial
1 33 grant fund created in subsection 2. In awarding grants under
1 34 the program, the department shall consult with a statewide
1 35 member-based association focusing on the technology industry.

2 1 A grant under the program shall not exceed twenty-five
2 2 thousand dollars per start-up business. In order to be
2 3 eligible to receive a grant under the program, an applicant
2 4 must meet all of the following criteria:

2 5 a. The applicant must be a graduate of a college or
2 6 university located in the state.

2 7 b. The applicant must have successfully completed a
2 8 recognized entrepreneurial venture development curriculum.

2 9 2. An entrepreneurial grant fund is created in the state
2 10 treasury under the control of the department and consisting of
2 11 any moneys appropriated by the general assembly and any other
2 12 moneys available to and obtained or accepted by the department
2 13 for placement in the fund. Payments of interest and
2 14 recaptures of grants shall be deposited in the fund. The fund
2 15 shall be used to provide grants under the entrepreneurial
2 16 grant program established in subsection 1. Moneys in the fund
2 17 are not subject to section 8.33. Notwithstanding section

2 18 12C.7, interest or earnings on moneys in the fund shall be
2 19 credited to the fund.
2 20 Sec. 3. NEW SECTION. 422.11M SOFTWARE DEVELOPMENT TAX
2 21 CREDIT.
2 22 The taxes imposed under this division, less the credits
2 23 allowed under sections 422.12 and 422.12B, shall be reduced by
2 24 a software development tax credit authorized pursuant to
2 25 section 15E.361.

2 26 Sec. 4. Section 422.33, Code Supplement 2005, is amended
2 27 by adding the following new subsection:
2 28 NEW SUBSECTION. 20. The taxes imposed under this division
2 29 shall be reduced by a software development tax credit
2 30 authorized pursuant to section 15E.361.

2 31 Sec. 5. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.
2 32 This Act, being deemed of immediate importance, takes effect
2 33 upon enactment and applies retroactively to January 1, 2006,
2 34 for tax years beginning on or after January 1, 2006.

2 35 EXPLANATION

3 1 This bill relates to software and technology-related
3 2 incentives and tax credits.
3 3 The bill allows a taxpayer to claim a tax credit equal to
3 4 20 percent of the total gross sales during the tax year on
3 5 software developed and used by the taxpayer originally for
3 6 internal purposes. The tax credit is allowed against personal
3 7 and corporate income tax liabilities. The bill provides that,
3 8 in order to claim the tax credit, a taxpayer must receive
3 9 approval from the department of economic development that the
3 10 software for which a tax credit is claimed was developed and
3 11 used by the taxpayer originally for internal purposes. The
3 12 bill provides that any tax credit in excess of the taxpayer's
3 13 tax liability for a tax year may be credited to the tax
3 14 liability for the following five years or until depleted,
3 15 whichever occurs first. The bill provides that a tax credit
3 16 shall not be carried back to a tax year prior to the tax year
3 17 in which the taxpayer claims the tax credit.

3 18 The bill requires the department to establish and
3 19 administer an entrepreneurial grant program for purposes of
3 20 encouraging start-up companies in the areas of information
3 21 technology and other targeted industries designated by the
3 22 department through the awarding of grants from moneys in the
3 23 entrepreneurial grant fund. The bill provides that a grant
3 24 under the program shall not exceed \$25,000 per start-up
3 25 business. The bill provides that, in order to be eligible to
3 26 receive a grant under the program, an applicant must be a
3 27 graduate of a college or university located in the state and
3 28 must have successfully completed a recognized entrepreneurial
3 29 venture development curriculum. The bill creates an
3 30 entrepreneurial grant fund in the state treasury under the
3 31 control of the department to be used for purposes of the
3 32 entrepreneurial grant program.

3 33 The bill takes effect upon enactment and applies
3 34 retroactively to January 1, 2006, for tax years beginning on
3 35 or after January 1, 2006.

4 1 LSB 6433YC 81

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